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VIA MESSENGER

Kathleen Dutt, Esq.
Office of General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: MUR 5398
LifeCare Holdings, Inc.
LifeCare Management Services, LLC;
and Mr. Leroy Thompson

Dear Ms. Dutt:

This letter responds to the Federal Election Commission's notice of January 12, 2004, informing LifeCare Holdings, Inc., LifeCare Management Services LLC ("LMS") (hereafter referred to collectively as "LifeCare") and Mr. Leroy Thompson of reason to believe they violated provisions of the Federal Election Campaign Act.

The Commission's finding follows a *sua sponte* voluntary disclosure made by LifeCare in the form of a report delivered to the Commission on September 11, 2003. The report identifies several political contributions made by the company's then Vice President for Government Relations, Mr. Donald Boucher, and a few other LifeCare executives, between the years of 1997-2002, that may potentially correlate in amount and timing with the receipt of bonus payments and salary increases. The payments and salary increases appear to have been authorized by the company's then Chief Executive Officer, Mr. David LeBlanc.¹

Since submitting the September 11th report, LifeCare has continued to collect and review documents and records for possible relevancy in the above-captioned matter. In accordance with the suggestions made in your letter of November 26, 2003, LifeCare plans to submit a supplemental report to the Commission in the very near future that will include relevant documents and information discovered subsequent to its September 11th report.

¹ Messrs. Boucher and LeBlanc are no longer employed by LifeCare.

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All information available to us at this time indicates that it was *not* corporate policy or practice to reimburse individuals for making political contributions. To the extent such contributions may have been reimbursed, it would have been without knowledge or approval of the Board.

As indicated in LifeCare's report, while Mr. Thompson, LifeCare's Executive Vice President for Operations, does recall being told at some point by Mr. Boucher that, if he (Thompson) made a political contribution, the Company would find a way to get the money back to him, no record or other evidence has been identified suggesting that Mr. Thompson was in fact reimbursed or otherwise compensated for the two contributions he made (\$1,000 to Friends of Mary Landrieu in 2000 and \$1,000 to Friends of Sam Johnson in 2001). In addition, Mr. Thompson states that, at the time he was told he would be reimbursed for making political contributions, he had no reason to believe the practice was unlawful. See LifeCare Report, pp. 15-17.

Given the potential correlation between the political contributions made by Mr. Boucher and possibly other LifeCare executives and their receipt of Company bonuses and salary increases,

As to the General Counsel's Factual and Legal Analysis ("Analysis") accompanying the notices to LifeCare and Leroy Thompson, there are a few corrections/clarifications we would like to make thereto at this time. We will make any further corrections/clarifications in our supplemental report or in other submissions to the extent additional facts become known.

First, the Analysis provided for Mr. Thompson states that he made three political contributions totaling \$3,000. In fact, Mr. Thompson made only two contributions totaling \$2,000 in connection with federal elections (\$1,000 to Friends of Mary Landrieu on October 22, 2000 and \$1,000 to Friends of Sam Johnson on August 13, 2001). There was a third contribution for \$1,000, but it was made to a foreign candidate/organization. (While Mr. Thompson believes the contribution was for a Nigerian presidential candidate, annotations made on both the check and on an accompanying note suggest it could have been a donation to a Nigerian charity.) Mr. Thompson was reimbursed for this foreign contribution by Mr. Boucher (who later expensed it himself), but there is no evidence that the two federal contributions were actually reimbursed by anyone. Thus, the only contribution for which there is direct evidence that Mr. Thompson was reimbursed was the one involving the Nigerian candidate/organization, which was not subject to federal election law.

Second, the Analysis provided for LifeCare states that Mr. Boucher was both a Vice President of LifeCare Holdings. and LMS. This information may have been mistakenly related to the Commission by counsel. In fact, Mr. Boucher was only a Vice

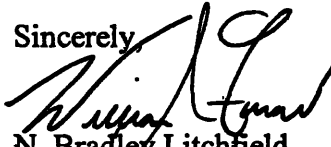
President for LMS and held no position with LifeCare Holdings. Furthermore, while Mr. Boucher held the title of Vice President of LMS, he was not a corporate officer.

Third, the LifeCare Analysis concludes that Mr. LeBlanc had express authority to award non-annual discretionary bonuses to LMS employees. No Board or other Company directive or policy specifically granted Mr. LeBlanc this authority, and he did not apprise the Board of the non-annual discretionary bonus payments and salary decisions he authorized, including those to Mr. Boucher. Under these circumstances, Mr. LeBlanc's authority to award non-annual discretionary bonuses could at most be characterized as "implied" based on his position with the Company, rather than "express."

Fourth, the LifeCare Analysis states that LifeCare Holdings's sole purpose is to act as a holding company for LMS and that it conducts no operations of its own. LMS actually is only one of several subsidiaries of LifeCare Holdings. In addition, certain LifeCare contracts (e.g., insurance policies) are held in the name of LifeCare Holdings.

In conclusion, we appreciate the Commission's patience in allowing LifeCare to complete its internal investigation

Sincerely,



N. Bradley Litchfield
William J. Farah